



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

April 2, 2010

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To: Supervisor Gloria Molina, Chair
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From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

This memorandum contains pursuit of County positions on legislation to authorize the Franchise Tax Board to notify licensing agencies of members' failure to pay tax liabilities and to extend continuous Medi-Cal eligibility for children under 19 years of age.

Pursuit of County Position on Legislation

AB 2038 (Eng), as proposed to be amended, would authorize the Franchise Tax Board (FTB) to notify occupational and professional licensing agencies of its members' failure to pay tax liabilities.

According to the author's office, the State loses approximately \$1.4 billion annually as a result of uncollected tax liabilities from professional and occupational licensees. Currently, there are over 25,000 delinquent taxpayers who hold an occupational or professional license in California. The FTB is generally successful in collecting past due taxes by seizing assets or through legal action when the debtor owns real property. However, the FTB has encountered severe difficulties in collecting delinquent tax liabilities from individuals who operate on a cash basis.

The author's office further indicates that the intent of this measure is to motivate delinquent taxpayers to comply with their tax obligations and not to punish them by canceling their license. The proposed measure would provide an additional instrument to remind licensees to pay their tax obligations or face the possibility of losing the

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privilege of holding an occupational or professional license. It is anticipated that compliance will result in increased revenue collections by the State, which would help prevent the elimination or reduction of services in areas such as education, health, welfare, and public safety.

The Treasurer and Tax Collector (TTC) and Auditor-Controller (AC) indicate that AB 2038 would help collect income tax liabilities, and to the extent that it helps the State deal with its budget shortfall, this measure could preserve funding for County-administered programs. The TTC, AC and this office support AB 2038 as proposed to be amended. Therefore, consistent with existing policy to support legislation to improve tax compliance and support adequate funding for programs the County operates on behalf of the State, **the Sacramento advocates will support AB 2038, as proposed to be amended.**

There is no registered support or opposition to AB 2038 at this time. This measure is set for a hearing on April 13, 2010, in the Assembly Business and Professions Committee.

AB 2477 (Jones), as introduced on February 19, 2010, would retain the existing 12-month continuous Medi-Cal eligibility for children under 19 years of age to allow the State to continue to qualify for increased Federal Medical Assistance Percentage (FMAP) funds made available through the American Recovery and Reinvestment Act (ARRA) of 2009, or through any other enacted Federal legislation.

The FY 2008-09 State Budget Act, eliminated 12-month continuous Medi-Cal eligibility for children under 19 years of age and instead required semi-annual reporting to maintain Medi-Cal eligibility for these children. ARRA includes a Maintenance-of-Effort eligibility requirement that states maintain Medicaid eligibility standards that were in effect on July 1, 2008, in order to qualify for the FMAP increase. As a result, SBX3 24 (Chapter 24, Statutes of 2009) was enacted to suspend the Medi-Cal semi-annual reporting and to temporarily restore the 12-month continuous Medi-Cal eligibility for children under 19 years of age. This allowed the State to qualify for the temporary FMAP increase. However, current law, which is effective until July 1, 2012, establishes 12-month continuous Medi-Cal eligibility for children under 19 years of age, only during the time period that the increased FMAP is available.

AB 2477 proposes to repeal the current provision in effect until July 1, 2012, and it would permanently reinstate 12-month continuous Medi-Cal eligibility for children under 19 years of age. This would allow the State to continue to qualify for increased FMAP funds made available through extensions of the FMAP provisions of ARRA.

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The Department of Public Social Services and this office support AB 2477. Therefore, consistent with existing Board policy to support proposals which provide a greater share of available Federal funding to the County or the State, and policy to simplify Medi-Cal eligibility and promote retention of benefits, and the County's prior support of similar legislation, SB 771 and SBX3 24 of 2009, to reinstate 12-month continuous Medi-Cal eligibility for children under 19 years of age, **the Sacramento advocates will support AB 2477.**

AB 2477 is scheduled for a hearing in the Assembly Health Committee on April 6, 2010.

This measure is supported by the California State Association of Counties and the County Welfare Directors Association. There is no registered opposition on file.

We will continue to keep you advised.

WTF:RA
MR:GA:RM:sb

c: All Department Heads
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